

Wall Street Journal

Janet Adamy

It is crunch time for health care. Lawmakers who are trying to fundamentally remake one-sixth of the U.S. economy say this might be the most complicated legislation they have undertaken.

Here are some basics that everyone can grasp -- and probably ought to, because the health bill, if it passes, will affect almost everyone.

### *1. What is the problem with health care, anyway? Is it as bad as they say?*

The problem, as advocates for change see it, boils down to two big areas: high costs and lack of coverage. For some households and employers, the cost of care already is out of reach, and many more will struggle to afford it if costs keep escalating. Medicare is eating up a bigger share of government spending, and a growing number of bankruptcies and home foreclosures are linked to medical expenses.

Even though the U.S. spends \$2 trillion a year for health care, some 46 million people don't have health coverage. To be sure, that oft-cited number from the Census Bureau is somewhat misleading because it includes illegal immigrants, healthy young adults who don't think they need insurance and poor people who are eligible for Medicaid.

Still, as the recession wears on, the number of uninsured appears to be rising. One study, by the left-leaning Center for American Progress Action Fund, found that as many as 14,000 people are losing their health insurance every day because of job cuts. Families who have insurance pay an additional \$1,000 a year in premiums to effectively subsidize all the people who receive care but don't pay for it, according to a separate study by the liberal group Families USA and actuarial consultancy Milliman Inc.

### *2. Can Democrats and Republicans agree on anything?*

Actually, yes. There is broad support for changing the way hospitals and doctors are paid so that they are compensated for the quality of care they provide, not the quantity of procedures they do. Democrats and Republicans also back the idea of creating online marketplaces where consumers and small businesses can comparison-shop for plans.

Both parties want to bar insurance companies from denying coverage to people who are already sick. The insurers are willing to make that concession, as long as lawmakers also require most people to carry insurance, since that would force young, healthy people into the insurance system.

It amounts to a twin mandate -- one on insurers to sell policies, and another on Americans to buy them. Although there are pockets of Republican opposition to the latter idea, both have enough bipartisan support to pass. These steps alone would represent big changes to the status quo.

### *3. Where are the main points of disagreement?*

The sharpest divide between the two parties: Whether to create a government-run insurance plan (otherwise known as a "public plan") that would go up against private plans in online marketplaces. President Barack Obama says a public plan will keep private insurers honest. Republicans say it would give the government too much control over health care.

The other main battle, which doesn't break down as easily along party lines, is how to pay for a plan expected to cost at least \$1 trillion over a decade. Many lawmakers think it makes sense to impose a tax on employer-provided health-care benefits, a perk that currently is tax-free.

Then they looked at the poll numbers. Many voters hate the idea of paying taxes on something that right now costs nothing. So Democrats have instead proposed raising taxes on the rich.

Congress also remains divided over whether to make employers (except really small ones)

provide insurance. House Democrats propose that if companies don't offer insurance, they should contribute as much as 8% of their payroll spending toward helping workers buy insurance on their own. Republicans argue that companies will make up for it by cutting jobs and lowering wages.

#### *4. What would a public plan look like?*

The country already has a huge public plan -- Medicare, which covers the elderly and some other groups. It generally pays doctors and hospitals less than private insurers. Liberal Democrats would like to replicate it in the new marketplaces. They want the government directly to set premiums and services under the plan, perhaps with basic and premium options.

That isn't going to fly in this Congress, despite Democratic control of both chambers. Republicans are more opposed to having a government plan than Democrats are bent on having it. Conservatives figure the government would quickly drive private insurers out of business by undercutting them on price.

Two other scenarios have emerged as compromises. One is to hold off on creating the plan and instead impose heavy regulations on insurance companies aimed at making coverage accessible and affordable. If that doesn't work, then the government insurance plan would kick in after several years. The other idea is to create a batch of regional nonprofit insurance cooperatives to compete with private insurers. But many liberals consider that a far stretch from the original idea, since the government wouldn't run those plans.

One point that gets overlooked in the debate is that most people probably wouldn't even be eligible for the public plan. Only individuals without affordable employer-provided insurance and businesses that aren't big enough to buy reasonably priced plans on their own would qualify.

#### *5. Why is the total price of the overhaul so expensive, especially considering that it is designed to bring down costs?*

The cost mostly comes from giving people subsidies to buy insurance, and from expanding

Medicaid, the federal-state insurance program for the poor, to cover more low-income Americans.

The theory is that once more Americans carry insurance, the entire health system will spend less money caring for them. Those people will have more access to care that prevents them from getting sick in the first place, and they would rely less on costly forms of treatment such as visiting the emergency room. But it could be years before that really reduces health costs, if it ever does.

President Obama often talks about more fundamental fixes for high costs, like paying for quality and blocking doctors from boosting their income with unnecessary tests. But Congress has limited power to change that.

### *6. What are the most likely ways to pay for the overhaul?*

The White House has proposed about \$950 billion in savings over 10 years to pay for the plan that include things like lower reimbursements to hospitals that treat Medicare patients.

The wealthy are a natural target. One proposal is limiting itemized tax deductions for families who earn more than \$250,000 annually, a campaign idea of the president. House Democrats want to impose a surtax on wealthy individuals. Less likely are new taxes on soda and sugary drinks, which many lawmakers see as politically unpopular.

### *7. Which industries are most likely to lose, and which to gain, from any overhaul?*

Perhaps no industry stands to gain more from the changes than health insurers, who would get tens of millions of new customers because Americans would be required by law to carry health insurance. Pharmaceutical companies would sell more prescription drugs because more people would have coverage for drugs and access to doctors who prescribe them. Hospitals and doctors wouldn't have to provide as much free care as they do now.

But each of those groups also could take hits, particularly the health insurers if some kind of public option drives down their profit margins. The big losers would be retailers, restaurants and other businesses with low-income workers who provide little or no health insurance, since they would be forced to start paying for it.

Businesses that are too small to afford health insurance but not tiny enough to fall below the proposed \$250,000 annual payroll cutoff that exempts them from providing coverage also could get squeezed by the legislation.

*8. I already have insurance through my job - what happens to me?*

Not too much at first. A handful of tax-free perks for the insured could get axed. For instance, lawmakers want to end the practice of allowing people to put money into so-called flexible spending accounts, which allow them to pay for everything from cosmetic dental work to surgery with tax-free dollars.

Longer term, a lot could change. For instance, your employer could drop coverage, preferring to pay the penalty for doing so and deflecting employees to Uncle Sam's plan. Cost-cutting efforts in other parts of the system could eventually affect employer-provided plans as well.

*9. Politicians have tried for decades to push universal health insurance. Why did they always fail before? Why would this time be any different?*

These efforts stretch back to the 1930s, when President Franklin Roosevelt proposed creating a compulsory health-insurance system for all Americans, run by the states. Doctors, worried it would hurt their pay, helped kill the measure, buoyed by opposition from business and labor groups. Other major health overhaul attempts, most notably President Bill Clinton's 1993-94 effort, died because powerful interest groups feared their members would either earn less or have to pay more under the new system.

What is different now is that major health and other interest groups are on board with the idea. Many insurers, hospitals, doctors and drug companies agree that the system is so flawed it isn't

sustainable, and they see a bill as a chance to push through improvements like adopting electronic health records, broadening the use of data to show which treatments work best and reducing the threat of malpractice lawsuits. Employers see it as a chance to curb the sharply rising price of covering their workers. Almost no one is arguing that the system is fine the way it is. Mr. Obama's high popularity, coupled with wide Democratic margins in Congress, also grease the wheels for passing a bill.

### *10. What happens if the effort once again fails?*

Lawmakers would likely scale back their plans and try to at least pass a measure that partially expands insurance coverage or helps stall the increase in health costs. But so many parts of the legislation are intertwined that they will be less effective, and perhaps impossible to achieve, if done piecemeal. Lawmakers might be reluctant to take up the controversial legislation ahead of congressional elections next year. So it would probably be several years before lawmakers tried again.